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***McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATE OF ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***JUNE 30, 2016***

**eder, casella & co.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
McHenry Community Consolidated School District No. 15  
McHenry, Illinois

We have audited the accompanying basic financial statements of

McHenry Community Consolidated School District No. 15

as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed or permitted by the Illinois State Board of Education as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 to the financial statements, the financial statements are prepared by McHenry Community Consolidated School District No. 15 in accordance with the financial reporting provisions prescribed or permitted by the Illinois State Board of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America. They are intended to assure effective legislative and public oversight of school district financing and spending activities of accountable Illinois public school districts. Also as described in Note 1, McHenry Community Consolidated School District No. 15 prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of McHenry Community Consolidated School District No. 15 as of June 30, 2016, or changes in financial position for the fiscal year then ended.

## **Unmodified Opinion on Regulatory Cash Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of McHenry Community Consolidated School District No. 15 as of June 30, 2016, and the revenue it received and expenditures it paid during the fiscal year then ended, on the basis of accounting described in Note 1.

## **Change in Accounting Principle**

As discussed in Note 21 of the financial statements, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the average daily attendance figure included in the computation of operating expense per pupil and per capita tuition charges, has been subjected to the auditing

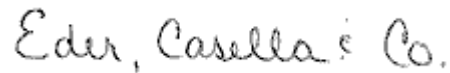
procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2016 on our consideration of McHenry Community Consolidated School District No. 15's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McHenry Community Consolidated School District No. 15's internal control over financial reporting and compliance.

#### **Restriction on Use**

This report is intended solely for the information and use of management, the Board of Education, others within the organization, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
September 30, 2016

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education  
McHenry Community Consolidated School District No. 15  
McHenry, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of

McHenry Community Consolidated School District No. 15

as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise McHenry Community Consolidated School District No. 15's basic financial statements, and have issued our report thereon dated September 30, 2016. Our opinion was adverse because the financial statements are not prepared in accordance with generally accepted accounting principles. However, the financial statements were found to be fairly stated on the cash basis of accounting, in accordance with regulatory reporting requirements established by the Illinois State Board of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McHenry Community Consolidated School District No. 15's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McHenry Community Consolidated School District No. 15's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency. This is detailed in finding reference number 2016-001.

## **Compliance and Other Matters**

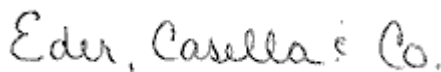
As part of obtaining reasonable assurance about whether McHenry Community Consolidated School District No. 15's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

### **McHenry Community Consolidated School District No. 15's Response to Findings**

McHenry Community Consolidated School District No. 15's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
September 30, 2016



## BASIC FINANCIAL STATEMENTS

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2016

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 23,149,621	\$ 9,853,712	\$ 601,674	\$ 3,100,663	\$ 1,370,867	\$ 1,058,657	\$ 499,198
Investments	13,404,885	802,312	2,008,634	1,200,059	1,638,973	-	2,044,572
Other Current Assets	3,553	-	-	-	31	-	-
Capital Assets							
Land	-	-	-	-	-	-	-
Building and Building Improvements	-	-	-	-	-	-	-
Site Improvements and Infrastructure	-	-	-	-	-	-	-
Capitalized Equipment	-	-	-	-	-	-	-
Construction in Progress	-	-	-	-	-	-	-
Amount Available in Debt Services Fund	-	-	-	-	-	-	-
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	-	-	-
Total Assets	<u>\$ 36,558,059</u>	<u>\$ 10,656,024</u>	<u>\$ 2,610,308</u>	<u>\$ 4,300,722</u>	<u>\$ 3,009,871</u>	<u>\$ 1,058,657</u>	<u>\$ 2,543,770</u>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES							
Current Liabilities							
Due to Activity Fund Organizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Long-Term Liabilities							
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE							
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance							
Reserved	-	-	-	-	935,303	-	-
Unreserved							
Designated	17,737,555	2,375,147	1,812,276	3,350,043	353,913	-	215,785
Undesignated	18,820,504	8,280,877	798,032	950,679	1,720,655	1,058,657	2,327,985
Total Fund Balance	<u>\$ 36,558,059</u>	<u>\$ 10,656,024</u>	<u>\$ 2,610,308</u>	<u>\$ 4,300,722</u>	<u>\$ 3,009,871</u>	<u>\$ 1,058,657</u>	<u>\$ 2,543,770</u>
Total Liabilities and Fund Balance	<u>\$ 36,558,059</u>	<u>\$ 10,656,024</u>	<u>\$ 2,610,308</u>	<u>\$ 4,300,722</u>	<u>\$ 3,009,871</u>	<u>\$ 1,058,657</u>	<u>\$ 2,543,770</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS - REGULATORY BASIS  
ALL FUNDS AND ACCOUNT GROUPS  
AT JUNE 30, 2016

	TORT	FIRE PREVENTION AND SAFETY	AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 594,745	\$ 72,172	\$ 73,590	\$ -	\$ -	\$ 40,374,899
Investments	-	-	-	-	-	21,099,435
Other Current Assets	-	-	-	-	-	3,584
Capital Assets						
Land	-	-	-	1,556,074	-	1,556,074
Building and Building Improvements	-	-	-	66,196,853	-	66,196,853
Site Improvements and Infrastructure	-	-	-	2,156,979	-	2,156,979
Capitalized Equipment	-	-	-	8,795,015	-	8,795,015
Construction in Progress	-	-	-	1,927,657	-	1,927,657
Amount Available in Debt Services Fund	-	-	-	-	2,610,308	2,610,308
Amount to be Provided for Payment on Long-Term Debt	-	-	-	-	11,831,634	11,831,634
Total Assets	<u>\$ 594,745</u>	<u>\$ 72,172</u>	<u>\$ 73,590</u>	<u>\$ 80,632,578</u>	<u>\$ 14,441,942</u>	<u>\$ 156,552,438</u>
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Current Liabilities						
Due to Activity Fund Organizations	\$ -	\$ -	\$ 73,590	\$ -	\$ -	\$ 73,590
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,590</u>
Long-Term Liabilities						
Long-Term Debt Payable	\$ -	\$ -	\$ -	\$ -	\$ 14,441,942	\$ 14,441,942
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,441,942</u>	<u>\$ 14,441,942</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,590</u>	<u>\$ -</u>	<u>\$ 14,441,942</u>	<u>\$ 14,515,532</u>
FUND BALANCE						
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ 80,632,578	\$ -	\$ 80,632,578
Fund Balance						
Reserved	-	-	-	-	-	935,303
Unreserved						
Designated	428,540	6,060	-	-	-	26,279,319
Undesignated	166,205	66,112	-	-	-	34,189,706
Total Fund Balance	<u>\$ 594,745</u>	<u>\$ 72,172</u>	<u>\$ -</u>	<u>\$ 80,632,578</u>	<u>\$ -</u>	<u>\$ 142,036,906</u>
Total Liabilities and Fund Balance	<u>\$ 594,745</u>	<u>\$ 72,172</u>	<u>\$ 73,590</u>	<u>\$ 80,632,578</u>	<u>\$ 14,441,942</u>	<u>\$ 156,552,438</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF REVENUE RECEIVED, EXPENDITURES DISBURSED, OTHER  
FINANCING SOURCES (USES), AND CHANGES IN FUND BALANCES -  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TORT	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED										
Local Sources	\$ 34,421,037	\$ 4,850,779	\$ 3,262,294	\$ 7,449,925	\$ 1,890,244	\$ 94,433	\$ 461,512	\$ 836,369	\$ 11,974	\$ 53,278,567
State Sources	7,552,254	810,569	-	2,400,543	-	-	-	-	-	10,763,366
Federal Sources	3,227,219	-	-	57,155	-	-	-	-	-	3,284,374
On-Behalf Payments	14,618,546	-	-	-	-	-	-	-	-	14,618,546
	<u>\$ 59,819,056</u>	<u>\$ 5,661,348</u>	<u>\$ 3,262,294</u>	<u>\$ 9,907,623</u>	<u>\$ 1,890,244</u>	<u>\$ 94,433</u>	<u>\$ 461,512</u>	<u>\$ 836,369</u>	<u>\$ 11,974</u>	<u>\$ 81,944,853</u>
EXPENDITURES DISBURSED										
Instruction	\$ 32,409,382	\$ -	\$ -	\$ -	\$ 716,638	\$ -	\$ -	\$ -	\$ -	\$ 33,126,020
Support Services	12,819,540	7,668,857	-	4,368,032	1,256,780	11,345,773	-	771,598	-	38,230,580
Community Services	52,983	-	-	-	459	-	-	-	-	53,442
Payments to Other Districts and Governmental Units	1,002,472	136,736	-	-	-	-	-	-	-	1,139,208
Debt Services	-	-	2,937,063	-	-	-	-	-	-	2,937,063
On-Behalf Payments	14,618,546	-	-	-	-	-	-	-	-	14,618,546
	<u>\$ 60,902,923</u>	<u>\$ 7,805,593</u>	<u>\$ 2,937,063</u>	<u>\$ 4,368,032</u>	<u>\$ 1,973,877</u>	<u>\$ 11,345,773</u>	<u>\$ -</u>	<u>\$ 771,598</u>	<u>\$ -</u>	<u>\$ 90,104,859</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (1,083,867)	\$ (2,144,245)	\$ 325,231	\$ 5,539,591	\$ (83,633)	\$ (11,251,340)	\$ 461,512	\$ 64,771	\$ 11,974	\$ (8,160,006)
OTHER FINANCING SOURCES (USES)										
Interfund Transfers	-	6,500,000	-	(6,500,000)	-	4,000,000	(4,000,000)	-	-	-
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES DISBURSED AND OTHER FINANCING USES	\$ (1,083,867)	\$ 4,355,755	\$ 325,231	\$ (960,409)	\$ (83,633)	\$ (7,251,340)	\$ (3,538,488)	\$ 64,771	\$ 11,974	\$ (8,160,006)
FUND BALANCE - JULY 1, 2015	<u>37,641,926</u>	<u>6,300,269</u>	<u>2,285,077</u>	<u>5,261,131</u>	<u>3,093,504</u>	<u>8,309,997</u>	<u>6,082,258</u>	<u>529,974</u>	<u>60,198</u>	<u>69,564,334</u>
FUND BALANCE - JUNE 30, 2016	<u>\$ 36,558,059</u>	<u>\$ 10,656,024</u>	<u>\$ 2,610,308</u>	<u>\$ 4,300,722</u>	<u>\$ 3,009,871</u>	<u>\$ 1,058,657</u>	<u>\$ 2,543,770</u>	<u>\$ 594,745</u>	<u>\$ 72,172</u>	<u>\$ 61,404,328</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF REVENUE RECEIVED  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TORT	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
<b>REVENUE RECEIVED</b>										
<b>Local Sources</b>										
Ad Valorem Taxes Levied										
Designated Purpose Levies	\$ 29,812,268	\$ 4,679,335	\$ 3,255,956	\$ 6,276,143	\$ 791,660	\$ -	\$ 425,157	\$ 836,023	\$ 11,814	\$ 46,088,356
Special Education Purpose Levy	3,402,572	-	-	-	-	-	-	-	-	3,402,572
FICA/Medicare Only Purposes Levy	-	-	-	-	791,660	-	-	-	-	791,660
Payments in Lieu of Taxes										
Corporate Personal Property Replacement Taxes	156,079	-	-	-	156,079	-	-	-	-	312,158
Tuition										
Special Education Tuition from Other Districts (In State)	48,497	-	-	-	-	-	-	-	-	48,497
Transportation Fees										
Regular Trans. Fees from Pupils or Parents (In State)	-	-	-	18,035	-	-	-	-	-	18,035
Interest on Investments	144,005	14,555	6,338	19,577	19,557	12,049	36,355	346	160	252,942
Food Service										
Sales to Pupils - Lunch	570,687	-	-	-	-	-	-	-	-	570,687
District/School Activity Income										
Admissions - Athletic	1,297	-	-	-	-	-	-	-	-	1,297
Fees	62,878	-	-	-	-	-	-	-	-	62,878
Textbooks										
Rentals - Regular Textbook	214,785	-	-	-	-	-	-	-	-	214,785
Rentals	-	28,805	-	-	-	-	-	-	-	28,805
Contributions and Donations from Private Sources	-	-	-	-	-	82,384	-	-	-	82,384
Refund of Prior Years' Expenditures	6,671	20,311	-	336	-	-	-	-	-	27,318
Payments from Other Districts	-	-	-	1,135,801	-	-	-	-	-	1,135,801
Other Local Revenues	1,298	107,773	-	33	131,288	-	-	-	-	240,392
<b>Total Local Sources</b>	<b>\$ 34,421,037</b>	<b>\$ 4,850,779</b>	<b>\$ 3,262,294</b>	<b>\$ 7,449,925</b>	<b>\$ 1,890,244</b>	<b>\$ 94,433</b>	<b>\$ 461,512</b>	<b>\$ 836,369</b>	<b>\$ 11,974</b>	<b>\$ 53,278,567</b>
<b>State Sources</b>										
Unrestricted Grants-In-Aid										
General State Aid - Sec. 18-8	\$ 5,133,845	\$ 810,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,944,414
Restricted Grants-In-Aid										
Special Education										
Private Facility Tuition	307,537	-	-	-	-	-	-	-	-	307,537
Extraordinary	581,908	-	-	-	-	-	-	-	-	581,908
Personnel	1,209,804	-	-	-	-	-	-	-	-	1,209,804
Orphanage - Individual	33,684	-	-	-	-	-	-	-	-	33,684
Orphanage - Summer	2,645	-	-	-	-	-	-	-	-	2,645
Summer School	29,075	-	-	-	-	-	-	-	-	29,075
Bilingual Education										
Downstate - TPI & TBE	122,089	-	-	-	-	-	-	-	-	122,089
State Free Lunch and Breakfast	5,429	-	-	-	-	-	-	-	-	5,429
Transportation										
Regular/Vocational	-	-	-	1,229,429	-	-	-	-	-	1,229,429
Special Education	-	-	-	1,171,114	-	-	-	-	-	1,171,114
Early Childhood - Block Grant	123,325	-	-	-	-	-	-	-	-	123,325
Other Restricted Revenue from State Sources	2,913	-	-	-	-	-	-	-	-	2,913
<b>Total State Sources</b>	<b>\$ 7,552,254</b>	<b>\$ 810,569</b>	<b>\$ -</b>	<b>\$ 2,400,543</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,763,366</b>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF REVENUE RECEIVED  
ALL FUNDS EXCEPT AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	EDUCATIONAL	OPERATIONS AND MAINTENANCE	DEBT SERVICES	TRANSPOR- TATION	ILLINOIS MUNICIPAL RETIREMENT/ SOCIAL SECURITY	CAPITAL PROJECTS	WORKING CASH	TORT	FIRE PREVENTION AND SAFETY	TOTAL (MEMORANDUM ONLY)
REVENUE RECEIVED (Continued)										
Federal Sources										
Restricted Grants-In-Aid Received Directly from the Federal Government through the State										
Food Service										
National School Lunch Program	\$ 667,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 667,051
School Breakfast Program	116,202	-	-	-	-	-	-	-	-	116,202
Title I										
Low Income	538,245	-	-	-	-	-	-	-	-	538,245
Federal - Special Education										
Preschool - Flow Through	62,989	-	-	-	-	-	-	-	-	62,989
IDEA - Flow Through/Low Incidence	1,070,967	-	-	-	-	-	-	-	-	1,070,967
IDEA - Room and Board	50,786	-	-	-	-	-	-	-	-	50,786
Other ARRA Funds - X	-	-	-	57,155	-	-	-	-	-	57,155
Title III - English Language Acquisition	58,055	-	-	-	-	-	-	-	-	58,055
Title II - Teacher Quality	72,639	-	-	-	-	-	-	-	-	72,639
Medicaid Matching Funds - Administrative Outreach	151,409	-	-	-	-	-	-	-	-	151,409
Medicaid Matching Funds - Fee-For-Service Program	438,690	-	-	-	-	-	-	-	-	438,690
Other Federal Sources	186	-	-	-	-	-	-	-	-	186
Total Federal Sources	<u>\$ 3,227,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,284,374</u>
Total Direct Revenue	<u>\$ 45,200,510</u>	<u>\$ 5,661,348</u>	<u>\$ 3,262,294</u>	<u>\$ 9,907,623</u>	<u>\$ 1,890,244</u>	<u>\$ 94,433</u>	<u>\$ 461,512</u>	<u>\$ 836,369</u>	<u>\$ 11,974</u>	<u>\$ 67,326,307</u>

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Salaries	\$ 16,800,000	\$ 16,588,338
Employee Benefits	2,338,000	2,885,972
Purchased Services	150,064	193,562
Supplies and Materials	979,459	820,590
Capital Outlay	377,500	260,662
Other Objects	-	4,300
Non-Capitalized Equipment	173,550	363,237
	<u>\$ 20,818,573</u>	<u>\$ 21,116,661</u>
Special Education Programs		
Salaries	\$ 6,128,750	\$ 6,062,738
Employee Benefits	884,000	1,047,936
Purchased Services	250,750	208,197
Supplies and Materials	109,500	66,550
Capital Outlay	10,000	-
Other Objects	-	15
Non-Capitalized Equipment	5,000	-
	<u>\$ 7,388,000</u>	<u>\$ 7,385,436</u>
Remedial and Supplemental Programs K-12		
Salaries	\$ 393,000	\$ 391,421
Employee Benefits	71,570	62,108
Purchased Services	11,000	26,353
Supplies and Materials	60,000	144,566
Non-Capitalized Equipment	-	18,577
	<u>\$ 535,570</u>	<u>\$ 643,025</u>
Interscholastic Programs		
Salaries	\$ 285,000	\$ 257,911
Employee Benefits	2,500	8,929
Purchased Services	18,000	14,805
Supplies and Materials	24,640	9,973
Other Objects	5,500	3,232
Non-Capitalized Equipment	6,200	2,755
	<u>\$ 341,840</u>	<u>\$ 297,605</u>
Summer School Programs		
Purchased Services	\$ 1,000	\$ -
Supplies and Materials	5,000	-
	<u>\$ 6,000</u>	<u>\$ -</u>
Bilingual Programs		
Salaries	\$ 1,876,000	\$ 2,003,922
Employee Benefits	304,600	376,739
Purchased Services	9,500	7,237
Supplies and Materials	29,200	24,744
Other Objects	1,000	544
Non-Capitalized Equipment	800	-
	<u>\$ 2,221,100</u>	<u>\$ 2,413,186</u>
Private Tuition - Other Objects		
Special Education Programs K-12	<u>\$ 700,000</u>	<u>\$ 553,469</u>
	<u>\$ 700,000</u>	<u>\$ 553,469</u>
Total Instruction	<u>\$ 32,011,083</u>	<u>\$ 32,409,382</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Salaries	\$ 935,000	\$ 920,207
Employee Benefits	110,200	125,805
Purchased Services	1,000	-
	<u>\$ 1,046,200</u>	<u>\$ 1,046,012</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Pupils (Continued)		
Health Services		
Salaries	\$ 369,500	\$ 754,719
Employee Benefits	77,100	104,544
Purchased Services	23,500	162,302
Supplies and Materials	11,200	17,748
Other Objects	2,000	1,665
Non-Capitalized Equipment	3,500	-
	<u>\$ 486,800</u>	<u>\$ 1,040,978</u>
Psychological Services		
Salaries	\$ 646,000	\$ 645,387
Employee Benefits	69,950	83,274
Purchased Services	2,000	28,910
Supplies and Materials	1,000	-
	<u>\$ 718,950</u>	<u>\$ 757,571</u>
Speech Pathology and Audiology Services		
Salaries	\$ 1,090,000	\$ 1,191,195
Employee Benefits	89,900	126,913
Purchased Services	1,000	6,802
Supplies and Materials	2,500	-
	<u>\$ 1,183,400</u>	<u>\$ 1,324,910</u>
Total Support Services - Pupils	<u>\$ 3,435,350</u>	<u>\$ 4,169,471</u>
Instructional Staff		
Improvement of Instruction Services		
Salaries	\$ 226,000	\$ 203,291
Employee Benefits	31,400	32,796
Purchased Services	193,000	150,943
Supplies and Materials	20,400	60,892
Non-Capitalized Equipment	5,000	-
	<u>\$ 475,800</u>	<u>\$ 447,922</u>
Educational Media Services		
Supplies and Materials	<u>\$ 34,200</u>	<u>\$ 36,327</u>
	<u>\$ 34,200</u>	<u>\$ 36,327</u>
Assessment and Testing		
Purchased Services	\$ 16,000	\$ -
Supplies and Materials	10,000	19,292
	<u>\$ 26,000</u>	<u>\$ 19,292</u>
Total Support Services - Instructional Staff	<u>\$ 536,000</u>	<u>\$ 503,541</u>
General Administration		
Board of Education Services		
Purchased Services	\$ 146,100	\$ 196,583
Supplies and Materials	3,500	974
Other Objects	20,000	28,059
	<u>\$ 169,600</u>	<u>\$ 225,616</u>
Executive Administration Services		
Salaries	\$ 468,000	\$ 415,279
Employee Benefits	37,800	33,869
Purchased Services	24,000	25,009
Supplies and Materials	27,500	9,805
Other Objects	13,000	14,074
Non-Capitalized Equipment	1,000	1,677
	<u>\$ 571,300</u>	<u>\$ 499,713</u>
Total Support Services - General Administration	<u>\$ 740,900</u>	<u>\$ 725,329</u>

The Notes to Financial Statements are an integral part of this statement.



McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
School Administration		
Office of the Principal Services		
Salaries	\$ 2,110,000	\$ 2,021,786
Employee Benefits	343,000	386,888
Purchased Services	4,000	1,443
Other Objects	12,500	15,708
	<u>\$ 2,469,500</u>	<u>\$ 2,425,825</u>
Other Support Services - School Administration		
Salaries	\$ 94,000	\$ 101,090
Employee Benefits	19,200	28,067
Purchased Services	800	-
Supplies and Materials	1,500	-
	<u>\$ 115,500</u>	<u>\$ 129,157</u>
Total Support Services - School Administration	<u>\$ 2,585,000</u>	<u>\$ 2,554,982</u>
Business		
Direction of Business Support Services		
Salaries	\$ 167,000	\$ 163,752
Employee Benefits	18,500	22,067
Purchased Services	3,050	4,750
Supplies and Materials	12,500	12,575
Other Objects	3,000	2,339
	<u>\$ 204,050</u>	<u>\$ 205,483</u>
Fiscal Services		
Salaries	\$ 244,000	\$ 230,821
Employee Benefits	25,200	28,728
Purchased Services	4,000	3,320
Supplies and Materials	11,000	2,924
Other Objects	100	-
Non-Capitalized Equipment	10,000	-
	<u>\$ 294,300</u>	<u>\$ 265,793</u>
Operation and Maintenance of Plant Services		
Salaries	\$ 1,732,000	\$ 1,691,091
Employee Benefits	298,200	371,161
Purchased Services	11,000	6,763
	<u>\$ 2,041,200</u>	<u>\$ 2,069,015</u>
Food Services		
Salaries	\$ 503,000	\$ 508,644
Employee Benefits	149,200	150,976
Purchased Services	9,200	10,087
Supplies and Materials	706,645	707,606
Capital Outlay	-	6,353
Other Objects	2,000	2,173
Non-Capitalized Equipment	12,000	7,332
	<u>\$ 1,382,045</u>	<u>\$ 1,393,171</u>
Total Support Services - Business	<u>\$ 3,921,595</u>	<u>\$ 3,933,462</u>
Central		
Information Services		
Purchased Services	\$ 7,500	\$ 6,754
	<u>\$ 7,500</u>	<u>\$ 6,754</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
EDUCATIONAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Central (Continued)		
Data Processing Services		
Salaries	\$ 450,000	\$ 441,306
Employee Benefits	72,800	89,861
Purchased Services	417,500	391,214
Capital Outlay	170,000	-
Other Objects	500	3,620
	<u>\$ 1,110,800</u>	<u>\$ 926,001</u>
Total Support Services - Central	<u>\$ 1,118,300</u>	<u>\$ 932,755</u>
Total Support Services	<u>\$ 12,337,145</u>	<u>\$ 12,819,540</u>
Community Services		
Salaries	\$ 25,000	\$ 5,998
Purchased Services	58,000	46,937
Supplies and Materials	250	48
Total Community Services	<u>\$ 83,250</u>	<u>\$ 52,983</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Payments for Special Education Programs		
Purchased Services	\$ 710,000	\$ 355,319
Other Objects	432,000	-
	<u>\$ 1,142,000</u>	<u>\$ 355,319</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ 1,142,000</u>	<u>\$ 355,319</u>
Payments to Other Districts and Governmental Units-Tuition (In-State)		
Other Objects		
Payments for Special Education Programs	\$ 850,000	\$ 647,153
Total Payments to Other Districts and Governmental Units-Tuition (In-State)	<u>\$ 850,000</u>	<u>\$ 647,153</u>
Total Payments to Other Districts and Governmental Units	<u>\$ 1,992,000</u>	<u>\$ 1,002,472</u>
Total Direct Expenditures	<u><u>\$ 46,423,478</u></u>	<u><u>\$ 46,284,377</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
OPERATIONS AND MAINTENANCE FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 10,000	\$ 63,995
Supplies and Materials	1,000	-
Capital Outlay	5,370,000	4,302,728
	<u>\$ 5,381,000</u>	<u>\$ 4,366,723</u>
Operation and Maintenance of Plant Services		
Salaries	\$ 221,000	\$ 224,297
Employee Benefits	44,100	28,490
Purchased Services	1,781,800	1,691,083
Supplies and Materials	1,201,000	1,017,806
Capital Outlay	125,000	315,797
Other Objects	5,000	428
Non-Capitalized Equipment	53,500	24,233
	<u>\$ 3,431,400</u>	<u>\$ 3,302,134</u>
Total Support Services - Business	<u>\$ 8,812,400</u>	<u>\$ 7,668,857</u>
Total Support Services	<u>\$ 8,812,400</u>	<u>\$ 7,668,857</u>
Payments to Other Districts and Governmental Units		
Payments to Other Districts and Governmental Units (In-State)		
Other Payments to In-State Government Units		
Other Objects	\$ -	\$ 136,736
	<u>\$ -</u>	<u>\$ 136,736</u>
Total Payments to Other Districts and Governmental Units (In-State)	<u>\$ -</u>	<u>\$ 136,736</u>
Total Payments to Other Districts and Governmental Units	<u>\$ -</u>	<u>\$ 136,736</u>
Total Direct Expenditures	<u><u>\$ 8,812,400</u></u>	<u><u>\$ 7,805,593</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
DEBT SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Debt Services		
Interest		
Other Interest on Long-Term Debt		
Other Objects	\$ -	\$ 1,259,755
Total Debt Services - Interest	<u>\$ -</u>	<u>\$ 1,259,755</u>
Debt Services - Payment of Principal on Long-Term Debt		
Other Objects	\$ 1,677,308	\$ 1,677,308
Total Debt Services - Payment of Principal on Long-Term Debt	<u>\$ 1,677,308</u>	<u>\$ 1,677,308</u>
Debt Services - Other		
Other Objects	\$ 1,259,755	\$ -
Total Debt Services - Other	<u>\$ 1,259,755</u>	<u>\$ -</u>
Total Debt Services	<u>\$ 2,937,063</u>	<u>\$ 2,937,063</u>
Total Direct Expenditures	<u>\$ 2,937,063</u>	<u>\$ 2,937,063</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
TRANSPORTATION FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Pupil Transportation Services		
Salaries	\$ 2,327,500	\$ 2,349,216
Employee Benefits	78,500	85,761
Purchased Services	1,453,200	1,357,910
Supplies and Materials	596,500	484,114
Capital Outlay	10,000	9,636
Other Objects	3,000	2,194
Non-Capitalized Equipment	20,000	79,201
	<u>\$ 4,488,700</u>	<u>\$ 4,368,032</u>
Total Support Services - Business	<u>\$ 4,488,700</u>	<u>\$ 4,368,032</u>
Total Support Services	<u>\$ 4,488,700</u>	<u>\$ 4,368,032</u>
Total Direct Expenditures	<u><u>\$ 4,488,700</u></u>	<u><u>\$ 4,368,032</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Instruction		
Regular Programs		
Employee Benefits	\$ 282,000	\$ 276,535
Special Education Programs		
Employee Benefits	340,400	362,162
Remedial and Supplemental Programs - K-12		
Employee Benefits	7,400	5,305
Interscholastic Programs		
Employee Benefits	8,000	4,788
Bilingual Programs		
Employee Benefits	79,200	67,848
Total Instruction	<u>\$ 717,000</u>	<u>\$ 716,638</u>
Support Services		
Pupils		
Attendance and Social Work Services		
Employee Benefits	\$ 15,000	\$ 13,332
Health Services		
Employee Benefits	104,250	85,783
Psychological Services		
Employee Benefits	14,000	15,386
Speech Pathology and Audiology Services		
Employee Benefits	16,000	15,126
Total Supports Services - Pupils	<u>\$ 149,250</u>	<u>\$ 129,627</u>
Instructional Staff		
Improvement of Instruction Services		
Employee Benefits	\$ 16,400	\$ 11,918
Total Support Services - Instructional Staff	<u>\$ 16,400</u>	<u>\$ 11,918</u>
General Administration		
Executive Administration Services		
Employee Benefits	\$ 44,000	\$ 29,067
Total Support Services - General Administration	<u>\$ 44,000</u>	<u>\$ 29,067</u>
School Administration		
Office of the Principal Services		
Employee Benefits	\$ 110,000	\$ 102,420
Other Support Services - School Administration		
Employee Benefits	20,000	18,505
Total Support Services - School Administration	<u>\$ 130,000</u>	<u>\$ 120,925</u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED (Continued)		
Support Services (Continued)		
Business		
Direction of Business Support Services		
Employee Benefits	\$ 3,000	\$ 2,401
Fiscal Services		
Employee Benefits	47,000	41,475
Operation and Maintenance of Plant Services		
Employee Benefits	352,000	338,517
Pupil Transportation Services		
Employee Benefits	433,000	430,029
Food Services		
Employee Benefits	95,000	90,458
Total Support Services - Business	<u>\$ 930,000</u>	<u>\$ 902,880</u>
Central		
Data Processing Services		
Employee Benefits	\$ 70,000	\$ 62,363
Total Support Services - Central	<u>\$ 70,000</u>	<u>\$ 62,363</u>
Total Support Services	<u>\$ 1,339,650</u>	<u>\$ 1,256,780</u>
Community Services		
Employee Benefits	\$ 2,000	\$ 459
Total Community Services	<u>\$ 2,000</u>	<u>\$ 459</u>
Total Direct Expenditures	<u><u>\$ 2,058,650</u></u>	<u><u>\$ 1,973,877</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Facilities Acquisition and Construction Services		
Purchased Services	\$ 20,000	\$ 211,011
Supplies and Materials	3,701,000	2,557
Capital Outlay	7,780,000	11,125,920
Other Objects	4,000	6,285
Total Support Services - Business	<u>\$ 11,505,000</u>	<u>\$ 11,345,773</u>
Total Support Services	<u>\$ 11,505,000</u>	<u>\$ 11,345,773</u>
Total Direct Expenditures	<u>\$ 11,505,000</u>	<u>\$ 11,345,773</u>

The Notes to Financial Statements are an integral part of this statement.



McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
TORT FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
General Administration		
Workers' Compensation or Worker's Occupational Disease Act		
Purchased Services	\$ 654,551	\$ -
Other Objects	-	654,551
	<u>\$ 654,551</u>	<u>\$ 654,551</u>
Insurance Payments		
Purchased Services	\$ 182,897	\$ -
Other Objects	-	117,047
	<u>\$ 182,897</u>	<u>\$ 117,047</u>
Total Support Services - General Administration	<u>\$ 837,448</u>	<u>\$ 771,598</u>
Total Support Services	<u>\$ 837,448</u>	<u>\$ 771,598</u>
Total Direct Expenditures	<u><u>\$ 837,448</u></u>	<u><u>\$ 771,598</u></u>

The Notes to Financial Statements are an integral part of this statement.

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
STATEMENT OF EXPENDITURES DISBURSED - BUDGET TO ACTUAL  
FIRE PREVENTION AND SAFETY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET	ACTUAL
EXPENDITURES DISBURSED		
Support Services		
Business		
Operation and Maintenance of Plant Services		
Supplies and Materials	\$ 12,000	\$ -
	<u>\$ 12,000</u>	<u>\$ -</u>
 Total Support Services - Business	 <u>\$ 12,000</u>	 <u>\$ -</u>
 Total Support Services	 <u>\$ 12,000</u>	 <u>\$ -</u>
 Total Direct Expenditures	 <u><u>\$ 12,000</u></u>	 <u><u>\$ -</u></u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McHenry Community Consolidated School District No. 15's (District) accounting policies conform to the cash basis of accounting as defined by the Illinois State Board of Education Audit Guide.

A. *Principles Used to Determine Scope of Entity*

The reporting entity includes the governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit its citizens, including joint agreements which serve pupils from numerous districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The joint agreement has been determined not to be part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and is therefore excluded from the accompanying financial statements because the District does not control the assets, operations, or management of the joint agreement. In addition, the District is not aware of any entity which would exercise such oversight as to result in the District being considered a component unit of the entity.

B. *Basis of Presentation – Fund Accounting*

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities arising from cash transactions, fund balance, revenue received, and expenditures disbursed. The District maintains individual funds required by the State of Illinois.

These funds are grouped as required for reports filed with the Illinois State Board of Education. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and account groups are used by the District:

Educational Fund – The Educational Fund is the general operating fund of the District. It is used to account for all transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional programs, health and attendance services, lunch programs, all costs of administration and related insurance costs. Certain revenues that must be credited to this fund include educational tax levies, tuition, and textbook rentals. Special Education is included in this fund.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. *Basis of Presentation – Fund Accounting (Continued)*

Operations and Maintenance Fund – The Operations and Maintenance Fund is used to account for all costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings. Operations of this fund are generally financed by a special tax levied for these purposes.

Debt Services Fund – The Debt Services Fund is used to account for all principal, interest, and administrative costs for tax-financed bond payments. Operations of this fund are generally financed by a special tax levied for these purposes.

Transportation Fund – The Transportation Fund is used to account for the costs associated with transporting pupils for any purpose. Revenue received for transportation purposes from any source must be deposited into this fund, including property taxes levied and state grants received for these purposes.

Illinois Municipal Retirement/Social Security Fund – The Illinois Municipal Retirement/Social Security Fund is used to account for costs of providing retirement benefits under Illinois Municipal Retirement Fund and Social Security if there are separate taxes levied for these purposes. If separate taxes are not levied for these purposes, then the payments shall be charged to the fund where the salaries are charged.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and contributions and donations from private sources.

Working Cash Fund – The Working Cash Fund is used to account for a separate tax levied for working cash purposes and for any bonds sold for this purpose. Cash available in this fund may be loaned to any fund of the District.

Tort Fund – The Tort Fund is used to account for the proceeds of specific revenue sources that are legally restricted for tort expenditures.

Fire Prevention and Safety Fund – The Fire Prevention and Safety Fund is used to account for the proceeds of specific revenue sources that are legally restricted for fire prevention and safety projects.

Agency Fund – The Agency Fund is used to account for Student Activity Funds and Convenience Accounts, which are assets held by the District as an agent for the students and teachers. This fund is custodial in nature and does not involve the measurement of the results of operations. The amounts due to the Activity Fund organizations are equal to the assets.

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to record physical assets of the District that have a long-term (i.e. more than one year) period of usefulness.

General Long-Term Debt Account Group – The General Long-Term Debt Account Group is used to record total bonded debt and other long-term debt of the District.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. *Basis of Presentation – Fund Accounting (Continued)*

##### Measurement Focus

The financial statements of all funds, except the agency fund and two account groups, focus on the measurement of spending or “financial flow” and the determination of changes in financial position rather than upon net income determination. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Fund operating statements present increases (cash receipts and other financing sources) and decreases (cash disbursements and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

##### General Fixed Assets and General Long-Term Debt Account Groups

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Fixed assets used in operations are accounted for in the General Fixed Assets Account Group rather than in the funds. Long-term liabilities expected to be financed from the individual funds are accounted for in the General Long-Term Debt Account Group, not in the funds.

The two account groups are not “funds”. They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

#### C. *Basis of Accounting*

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The District maintains its accounting records for all funds and account groups on the cash basis of accounting under guidelines prescribed by the Illinois State Board of Education. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Proceeds from sales of bonds are included as other financing sources in the appropriate fund on the date received. Related bond principal payable in the future is recorded at the same time in the General Long-Term Debt Account Group.

If the District utilized accounting principles generally accepted in the United States of America, the basic financial statements would be replaced with government-wide financial statements and fund financial statements. The fund financial statements would use the modified accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. *Budgets and Budgetary Accounting*

The budget for all funds is prepared on the cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with Chapter 105, Section 5/17-1 of the Illinois Compiled Statutes. The budget was passed on September 22, 2015 and was not amended.

For each fund, total fund disbursements may not legally exceed the budgeted disbursements. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing on that date. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The Board of Education may make transfers between the various items in any fund not exceeding in the aggregate 10% of the total of such fund as set forth in the budget.
6. The Board of Education may amend the budget (in other ways) by the same procedures required of its original adoption.

#### E. *Cash and Cash Equivalents and Investments*

Separate bank accounts are not maintained for all District funds. Instead, the funds maintain their uninvested cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain of the funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other District funds and are, therefore, interfund loans which have not been authorized by School Board action.

No District fund had a cash overdraft at June 30, 2016.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Municipal Bond Investments are stated at amortized cost. All other investments are stated at the lower of cost or market. Gains or losses on the sale of investments are recognized upon realization.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. *Inventories*

It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values of resale or supply items on hand.

#### G. *Interfund Activity*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. All other interfund transactions are treated as transfers.

#### H. *General Fixed Assets*

General fixed assets have been acquired for general governmental purposes. At the time of purchase, assets are recorded as disbursements in the funds for which the asset was purchased and capitalized at cost in the General Fixed Assets Account Group. Donated general fixed assets are stated at estimated fair market value as of the date of acquisition. Depreciation accounting is not considered applicable (except to determine the per capita tuition charge, which is calculated on a straight-line basis with useful lives of 50 years for Buildings, 20 years for Improvements Other than Buildings, and 5 to 10 years for Equipment). Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost.

#### I. *Governmental Fund Balances*

Governmental fund balances are reported as "reserved" because they are legally segregated for a specific future use. The remaining balances are "unreserved" fund balances. From time to time, the Board agrees to set aside or "designate" resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management's tentative plans and can be changed.

#### J. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the District on or before the last Tuesday in December. The 2015 tax levy was passed by the Board on December 8, 2015. The 2014 tax levy was passed by the Board on December 9, 2014. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The District receives significant distributions of tax receipts within one month after these dates.

#### K. *Total Memorandum Only*

The "Total Memorandum Only" column represents the aggregation (by addition) of the line item amounts reported for each fund and account group. No consolidating or other eliminations were made in arriving at the totals; thus they do not present consolidated information.

These totals are presented only to facilitate financial analysis and are not intended to reflect the financial position or results of operations of the District as a whole.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

The District is allowed to invest in securities as authorized by the School Code of Illinois, Chapter 30, Section 235/2 and 6; and Chapter 105, Section 5/8-7.

#### *Investments*

The following table categorizes the investments according to levels of risk:

Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	5 - 10	More Than 10
State Investment Pool	\$ 175,390	\$ 175,390	\$ -	\$ -	\$ -
Government Bonds	910,000	705,000	205,000	-	-
	<u>\$ 1,085,390</u>	<u>\$ 880,390</u>	<u>\$ 205,000</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

*Interest Rate Risk.* The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments based on credit risk. The District's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of June 30, 2016, the District's investments were rated as follows:

Investment	Credit Rating	Rating Source
State Investment Pool	AAAm	Standard and Poor's
Government Bonds	A+	Standard and Poor's
Government Bonds	AA	Standard and Poor's
Government Bonds	AA-	Standard and Poor's
Government Bonds	BBB+	Standard and Poor's
Government Bonds	B+	Standard and Poor's
Government Bonds	A3	Moody's

### NOTE 3 - FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- State Investment Pools of \$175,390 and Government Bonds of \$910,000 are valued using quoted market prices (Level 1 inputs)

### NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 4 - CHANGES IN GENERAL FIXED ASSETS (Continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Land	\$ 1,556,074	\$ -	\$ -	\$ 1,556,074
Building and Building Improvements	52,486,361	13,710,492	-	66,196,853
Site Improvements and Infrastructure	1,993,529	163,450	-	2,156,979
Capitalized Equipment	8,330,939	464,076	-	8,795,015
Construction in Progress	915,896	13,275,918	12,264,157	1,927,657
	<u>\$ 65,282,799</u>	<u>\$ 27,613,936</u>	<u>\$ 12,264,157</u>	<u>\$ 80,632,578</u>

### NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT

Changes in general long-term debt are summarized as follows:

	Balance July 1, 2015	Additions	Retirement	Balance June 30, 2016
<b>Long-Term Debt</b>				
Bonds Payable				
School Bonds Dated: 2/15/07	\$ 6,059,249	\$ -	\$ 1,677,307	\$ 4,381,942
Refunding School Bonds, Series 2010A	5,890,000	-	-	5,890,000
Taxable Refunding School Bonds, Series 2010B	4,170,000	-	-	4,170,000
<b>Total Long-Term Debt</b>	<u>\$ 16,119,249</u>	<u>\$ -</u>	<u>\$ 1,677,307</u>	<u>\$ 14,441,942</u>

Long-term debt payable consisted of the following at June 30, 2016:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
General Obligation School Bonds Dated 2/15/07	1/1/2019	4.13%-4.38%	\$ 11,395,908	\$ 4,381,942
General Obligation Refunding School Bonds, Series 2010A	1/1/2020	3.50%-3.75%	5,890,000	5,890,000
General Obligation Taxable Refunding School Bonds, Series 2010B	1/1/2019	4.75%-5.00%	4,170,000	4,170,000

At June 30, 2016 the annual debt service requirements to service all long-term debt is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,021,137	\$ 1,570,925	\$ 3,592,062
2018	2,563,825	1,713,238	4,277,063
2019	4,341,980	648,957	4,990,937
2020	5,515,000	206,813	5,721,813
	<u>\$ 14,441,942</u>	<u>\$ 4,139,933</u>	<u>\$ 18,581,875</u>

### NOTE 6 - SPECIAL TAX LEVIES AND RESERVED EQUITY

#### *Social Security Tax Levy*

Cash receipts and the related cash disbursements of this reserved tax levy are accounted for in the Illinois Municipal Retirement/Social Security Fund. A portion, \$935,303, of this fund's equity represents the excess of cumulative receipts over cumulative disbursements which is restricted for future social security disbursements.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 6 - SPECIAL TAX LEVIES AND RESERVED EQUITY (Continued)

#### *Social Security Tax Levy (Continued)*

Receipts	
Property Taxes	\$ 791,660
Replacement Taxes	19,770
Interest	7,332
Total Receipts	<u>\$ 818,761</u>
Expenditures	
Social Security Expenditures	<u>\$ 1,072,379</u>
Total Expenditures	<u>\$ 1,072,379</u>
Receipts Over/(Under) Expenditures	\$ (253,618)
Reserved at July 1, 2015	<u>1,188,921</u>
Reserved at June 30, 2016	<u><u>\$ 935,303</u></u>

### NOTE 7 - DESIGNATED FUND BALANCE

#### A. *Property Tax Receipts*

The District has designated receipts from the 2015 tax levy for expenditures to be incurred during fiscal year 2016. At June 30, 2016 the following balances were designated:

<u>Fund</u>	<u>Amount</u>
Educational	\$ 15,150,383
Operations and Maintenance	2,375,147
Debt Services	1,812,276
Transportation	3,350,043
Illinois Municipal Retirement/Social Security	353,913
Working Cash	215,785
Tort	428,540
Fire Prevention and Safety	6,060
	<u>\$ 23,692,146</u>

#### B. *Health Insurance*

The District has established a separate bank account to be designated for the future payment of possible insurance claims arising from the District's minimum premium payment insurance plan for its health and dental insurance. At June 30, 2016 the following balances were designated:

<u>Fund</u>	<u>Amount</u>
Educational	<u><u>\$ 2,587,172</u></u>

### NOTE 8 - DEFICIT FUND BALANCE

No District fund had a deficit fund balance at June 30, 2016.

### NOTE 9 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2015 (\$25,772,814) and 2014 (\$24,509,774) tax levies.

A summary of the past three years' assessed valuations, tax rates, and extensions follows:

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 9 - PROPERTY TAXES (Continued)

### McHENRY COUNTY

Tax Year	2015		2014		2013	
Assessed Valuation	\$844,315,918		\$838,788,393		\$873,569,186	
	Rate	Extension	Rate	Extension	Rate	Extension
Educational	3.5000	\$ 29,551,057	3.5000	\$ 29,357,594	3.5000	\$ 30,574,922
Tort Immunity	0.0990	835,873	0.0979	821,174	0.0588	513,659
Special Education	0.3989	3,368,061	0.4000	3,355,154	0.4000	3,494,277
Operations and Maintenance	0.5487	4,632,761	0.5500	4,613,336	0.5500	4,804,631
Transportation	0.7709	6,509,000	0.6979	5,853,527	0.4309	3,764,210
Rental					-	-
Municipal Retirement	0.0818	690,313	0.1045	876,668	0.0991	865,707
Debt Service	0.4184	3,532,390	0.3446	2,890,079	0.2593	2,265,235
Social Security	0.0818	690,313	0.1045	876,668	0.0991	865,707
Fire Prevention and Safety	0.0014	11,820	0.0014	11,852	0.0014	11,793
Working Cash	0.0499	420,891	0.0500	419,394	0.0500	436,785
	5.9507	\$ 50,242,479	5.8508	\$ 49,075,446	5.4486	\$ 47,596,926

### LAKE COUNTY

Tax Year	2015		2014		2013	
Assessed Valuation	\$14,264,376		\$13,636,233		\$14,202,885	
	Rate	Extension	Rate	Extension	Rate	Extension
Educational	3.3822	\$ 482,453	3.5000	\$ 477,268	3.5000	\$ 497,101
Tort Immunity	0.0957	13,647	0.0590	8,045	0.0590	8,380
Special Education	0.3855	54,988	0.4000	54,545	0.4000	56,812
Operations and Maintenance	0.5302	75,634	0.5500	74,999	0.5500	78,116
Transportation	0.9311	132,822	0.7367	100,462	0.4290	60,930
Rental					-	-
Municipal Retirement	0.0790	11,271	0.1045	14,252	0.1000	14,203
Debt Service	0.4226	60,275	0.3480	47,454	0.2620	37,212
Social Security	0.0790	11,271	0.1045	14,252	0.1000	14,203
Fire Prevention and Safety	0.0014	193	0.0014	197	0.0020	284
Working Cash	0.0482	6,871	0.0500	6,818	0.0500	7,101
	5.9549	\$ 849,424	5.8541	\$ 798,292	5.4520	\$ 774,342

## NOTE 10 - OVEREXPENDITURE OF BUDGET

For the year ended June 30, 2016, there were no expenditures in any of the funds that exceeded their budget.

## NOTE 11 - OPERATING LEASES, AS LESSEE

The District, as lessee, leases buses, copiers, and chrome books.

Estimated minimum annual rentals are as follows:

Year Ending June 30	Amount
2017	\$ 1,077,868
2018	1,341,880
2019	969,018
2020	823,981
2021	1,050,645
	<u>\$ 5,263,393</u>

Rental expense for all operating leases for the year ended June 30, 2016 was \$1,326,963.

NOTE 12 - RETIREMENT FUND COMMITMENTS

A. *Teachers' Retirement System of the State of Illinois*

➤ **General Information About the Pension Plan**

○ **Plan Description**

The District participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

○ **Benefits Provided**

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with ten years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last ten years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2% of final average salary up to a maximum of 75% with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with ten years of service, or a discounted annuity can be paid at age 62 with ten years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

Essentially all Tier I retirees receive an annual 3% increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of 3% of the original benefit or ½% of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **General Information About the Pension Plan** (Continued)

○ **Contributions**

The State of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016 was 9.4% of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by the employer.

▪ **On-Behalf Contributions to TRS**

The State of Illinois makes employer pension contributions on behalf of the District. For the year ended June 30, 2016, State of Illinois contributions recognized by the District were based on the State's proportionate share of the collective net pension liability associated with the District, and the District recognized revenue and expenditures of \$14,316,629 in pension contributions from the State of Illinois.

▪ **2.2 Formula Contributions**

Employers contribute 0.58% of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016 were \$163,656.

▪ **Federal and Special Trust Fund Contributions**

When TRS members are paid from federal and special trust funds administered by the employer, there is a statutory requirement for the employer to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the State contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

For the year ended June 30, 2016, the District pension contribution was 36.06% of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$401,231 were paid from federal and special trust funds that required District contributions of \$144,684.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **General Information About the Pension Plan** (Continued)

○ **Contributions** (Continued)

▪ **Employer Retirement Cost Contributions**

Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. The employer is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5% and applies when the member is age 55 at retirement. For the year ended June 30, 2016, the District paid \$0 to TRS for employer ERO contributions.

The employer is also required to make a one-time contribution to TRS for members granted salary increases over 6% if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016, the District paid \$3,154 to TRS for employer contributions due on salary increases in excess of 6% and \$3,033 for sick leave days granted in excess of the normal annual allotment.

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District has a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the District. The State's support and total are for disclosure purposes only. The District's proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 5,346,877
State's proportionate share of the net pension liability associated with the District	174,745,548
Total Net Pension Liability	<u>\$ 180,092,425</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the State during that period. At June 30, 2015, the District's proportion was 0.0081619%, which was a decrease of 0.0001739% from its proportion measured as of June 30, 2014.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

#### A. Teachers' Retirement System of the State of Illinois (Continued)

##### ➤ Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$14,316,629 and revenue of \$14,316,629 for support provided by the State. At June 30, 2016, the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 1,987	\$ (5,861)	\$ (3,874)
Net difference between projected and actual earnings on pension investments	105,891	(187,230)	(81,339)
Changes of assumptions	73,942	-	73,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,008,532)	(1,008,532)
Employer contributions subsequent to the measurement date	308,340	-	308,340
	<u>\$ 490,160</u>	<u>\$ (1,201,623)</u>	<u>(711,463)</u>

\$308,340 of deferred outflows of resources related to pensions results from employer contributions subsequent to the measurement date. Other deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending June 30	
2017	\$ 335,374
2018	335,374
2019	335,374
2020	13,681
	<u>\$ 1,019,803</u>

##### ○ Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	varies by amount of service credit
Investment Rate of Return	7.5%, net of pension plan investment expenses, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014

For GASB disclosure purposes, the actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5%,

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

#### A. *Teachers' Retirement System of the State of Illinois* (Continued)

#### ➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

##### ○ **Actuarial Assumptions** (Continued)

salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0% to 7.5%. The salary increase and inflation assumptions were also lowered from their 2013 levels.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. large cap	18.0%	7.53%
Global equity excluding U.S.	18.0%	7.88%
Aggregate bonds	16.0%	1.57%
U.S. TIPS	2.0%	2.82%
NCREIF	11.0%	5.11%
Opportunistic real estate	4.0%	9.09%
ARS	8.0%	2.57%
Risk Parity	8.0%	4.87%
Diversified inflation strategy	1.0%	3.26%
Private Equity	14.0%	12.33%
Total	100.0%	

##### ○ **Discount Rate**

At June 30, 2015, the discount rate used to measure total pension liability was a blended rate of 7.47%, which was a change from the June 30, 2014 rate of 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and State contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all



NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Teachers' Retirement System of the State of Illinois* (Continued)

➤ **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

○ **Discount Rate** (Continued)

projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50%. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

○ **Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.47%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47%) or 1-percentage-point-higher (8.47%) than the current rate.

	1% Decrease 6.47%	Current Discount Rate 7.47%	1% Increase 8.47%
Employer's proportionate share of the net pension liability	\$ 6,607,429	\$ 5,346,877	\$ 4,313,190

○ **TRS Fiduciary Net Position**

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

B. *Illinois Municipal Retirement Fund*

➤ **Plan Description**

The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. That report may be obtained on line at [www.imrf.org](http://www.imrf.org).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Benefits Provided**

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

➤ **Employees Covered by Benefit Terms**

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2015, the measurement date, the District's membership consisted of:

Retirees and beneficiaries currently receiving benefits	156
Inactive plan members entitled to but not yet receiving benefits	277
Active plan members	327
Total	<u><u>760</u></u>

➤ **Contributions**

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

B. *Illinois Municipal Retirement Fund* (Continued)

➤ **Contributions** (Continued)

the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District's annual contribution rate for calendar year 2015 was 10.84%. For the fiscal year ended June 30, 2016, the District contributed \$901,764 to the Plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

➤ **Net Pension Liability**

The components of the net pension liability of the IMRF as of December 31, 2015, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$	27,526,263
IMRF Fiduciary Net Pension		22,377,230
District's Net Pension Liability	\$	5,149,033
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability		81.29%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Supplemental Financial Information following the notes to the financial statements for additional information related to the funded status of the Plan.

➤ **Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2015 using the following actuarial methods and assumptions.

Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation
Interest Rate	7.48%
Asset Valuation Method	Market value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

The IMRF-specific rates for Mortality (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For Disabled Retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

#### B. *Illinois Municipal Retirement Fund* (Continued)

##### ➤ **Actuarial Assumptions** (Continued)

non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

##### ➤ **Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Return
Equities	38.0%	7.39%
International Equities	17.0%	7.59%
Fixed Income	27.0%	3.00%
Real Estate	8.0%	6.00%
Alternatives	9.0%	
Private Equity		8.15%
Hedge Funds		5.25%
Commodities		2.75%
Cash	1.0%	2.25%
	<u>100.0%</u>	

##### ➤ **Single Discount Rate**

The projection of cash flow used to determine this Single Discount Rate assumed that the Plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57%; and resulting single discount rate is 7.48%.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

### B. *Illinois Municipal Retirement Fund* (Continued)

#### ➤ **Discount Rate Sensitivity**

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the discount rate of 7.48% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48%) or 1-percentage-point higher (8.48%) than the current rate:

	1% Decrease 6.48%	Current Discount Rate 7.48%	1% Increase 8.48%
Net Pension Liability	\$ 8,964,932	\$ 5,149,033	\$ 2,040,818

#### ➤ **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the District's pension expense is \$1,917,092. At June 30, 2016, the District's deferred outflows of resources and deferred inflows of resources related to pension from the following sources were as follows:

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
<b>Expense in Future Periods</b>			
Differences between expected and actual experience	\$ 454,931	\$ 105,696	\$ 349,235
Assumption changes	584,638	-	584,638
Net difference between projected and actual earnings on pension investment	1,421,727	-	1,421,727
Total deferred amounts to be recognized in pension expense in future periods	\$ 2,461,296	\$ 105,696	\$ 2,355,600
Pension contributions made subsequent to the measurement date	480,466	-	480,466
Total deferred amounts related to pensions	<u>\$ 2,941,762</u>	<u>\$ 105,696</u>	<u>\$ 2,836,066</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be part of the pension expense in future years as follows:

Year Ending December 31	Net Deferred Outflows of Resources
2016	\$ 738,810
2017	738,810
2018	552,357
2019	325,623
2020	-
Thereafter	-
	<u>\$ 2,355,600</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12 - RETIREMENT FUND COMMITMENTS (Continued)

#### C. *Social Security*

Employees not qualifying for coverage under the Teachers' Retirement System of the State of Illinois or the Illinois Municipal Retirement Fund are considered "non-participating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security. The District paid the total required contribution for the current fiscal year.

### NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS

#### A. *Retiree Paid Insurance*

##### ➤ **Plan Overview**

The District provides post-employment benefits other than pensions ("OPEB") to employees who meet certain criteria. The Plan, a single-employer defined benefit plan, provides limited healthcare benefits to retirees. The Plan does not issue a stand-alone financial report.

Membership in the Plan consisted of the following at June 30, 2016:

Retirees and beneficiaries receiving benefits	29
Active vested plan members	24
Active nonvested plan members	442
Total	<u>495</u>

##### ➤ **Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements.

##### ➤ **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 49,031
Interest on net OPEB obligation	51,148
Adjustment to annual required contribution	<u>(42,623)</u>
Annual OPEB cost (expense)	\$ 57,556
Contributions made	<u>67,836</u>
Increase in net OPEB obligation	\$ (10,280)
Net OPEB obligation - beginning of year	1,278,710
Net OPEB obligation - end of year	<u>\$ 1,268,430</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

#### A. *Retiree Paid Insurance* (Continued)

##### ➤ **Annual OPEB Cost and Net OPEB Obligation** (Continued)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 57,556	\$ 67,836	117.9%	\$ 1,268,430
6/30/2015	55,742	66,542	119.4%	1,278,710
6/30/2014	85,976	75,600	87.9%	1,289,510

##### ➤ **Funded Status and Funding Progress**

The Schedule of Funding Progress, presented as Supplemental Financial Information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

##### ➤ **Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The following includes actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Period	Level Percentage of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A
Investment Rate of Return	4%
Projected Salary Increases	4%
Healthcare Inflation Rate	5% initial, 5.5% ultimate
Percentage of Active Employees Assumed to Elect Benefit	100%
Employer Provided Benefit	Explicit: \$150 to age 65 Implicit: 40% of premium to age 65

#### B. *Teacher Health Insurance Security Fund (THIS)*

The District participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitytants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitytants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - POST EMPLOYMENT BENEFIT COMMITMENTS (Continued)

B. *Teacher Health Insurance Security Fund (THIS)* (Continued)

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. The Plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year.

➤ **On behalf contributions to the THIS Fund**

The State of Illinois makes employer retiree health insurance contributions on behalf of the District. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07% of pay during the year ended June 30, 2016. State of Illinois contributions were \$301,917, and the District recognized revenue and expenditures of this amount during the year.

➤ **Employer contributions to the THIS Fund**

The District also makes contributions to the THIS Fund. The District THIS Fund contribution was 0.80% during the year ended June 30, 2016. For the year ended June 30, 2016, the District paid \$225,732 to the THIS Fund, which was 100% of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

NOTE 14 - INTERFUND TRANSFERS

A summary of interfund transfers is as follows:

Transfer From	Transfer To	Amount
Working Cash Fund	Capital Projects Fund	\$ 4,000,000
Transportation Fund	Operations and Maintenance Fund	6,500,000

The purpose of the transfers was to provide monies for the funds with need.

NOTE 15 - JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM)

The District and seventeen other districts within McHenry County have entered into a joint agreement to provide special education programs and services to the students enrolled. Each member district has a financial responsibility for annual and special assessments as established by the management council.

A summary of financial condition (cash basis) of SEDOM at June 30, 2015 (most recent information available) is as follows:



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 15 - JOINT VENTURE – SPECIAL EDUCATION DISTRICT OF McHENRY COUNTY (SEDOM) (Continued)

Assets	\$ 11,908,203
Liabilities	\$ 207,942
Fund Equity	11,700,261
	<u>\$ 11,908,203</u>
Revenues Received	\$ 19,106,954
Expenditures Disbursed	19,237,846
Net Increase/(Decrease) in Fund Balance	<u>\$ (130,892)</u>

Complete financial statements for SEDOM can be obtained from the Administrative Offices at 1200 Claussen Drive, Woodstock, Illinois 60098.

### NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to handle these risks of loss.

The District is a member of the Collective Liability Insurance Cooperative (CLIC), a joint risk management pool of school districts through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the District and CLIC is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The District is contractually obligated to make all annual and supplementary contributions for CLIC, to report claims on a timely basis, cooperate with CLIC, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by CLIC. Members have a contractual obligation to fund any deficit of CLIC attributable to a membership year during which they were members.

CLIC is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. CLIC also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

The District is self-insured for its health and dental insurance. The District covers up to \$135,000 per year per individual. The District purchases stop loss insurance coverage for claims in excess of \$135,000 per individual and for claims in excess of the aggregate maximum plan liability. The third party administrator, Benefit Systems Services, Inc., has determined the maximum annual liability to the District was \$4,962,677 as of June 30, 2016. A summary of claim transactions for the fiscal year ended June 30, 2016 is as follows:

Incurred Claims	\$ 9,911,406
Payments on Claims	(4,499,081)

During the year ended June 30, 2016, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. The District is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2016, there were no significant adjustments in premiums based on actual experience.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 17 - CONTINGENCIES

The District is not aware of any pending litigation or potential nondisclosed liabilities that management believes would have a material adverse effect on the financial statements.

### NOTE 18 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 6.9% of the most recent available equalized assessed valuation (EAV) of the District. The District's legal debt limitation is as follows:

2015 EAV	\$ 858,580,294
Rate	<u>6.90%</u>
Debt Margin	\$ 59,242,040
Current Debt	<u>14,441,942</u>
Remaining Debt Margin	<u><u>\$ 44,800,098</u></u>

### NOTE 19 - CONSTRUCTION COMMITMENTS

The District has ongoing contracts for additions to Edgebrook, Riverwood, and Valley View school buildings, a new parking lot at Valley View, and a mobile classroom relocation at Valley View at June 30, 2016. The projects have outstanding commitments of \$4,604,671 that have not been included as expenses in these financial statements.

### NOTE 20 - SUBSEQUENT EVENTS

After year-end the District was informed by the State that a portion of their fiscal year 2016 special education expenses needed to be paid from the general state aid funding in order to ensure that the State properly demonstrated maintenance of fiscal effort for IDEA Part B Flow Through. For the year ended June 30, 2016, \$11,165 of the District's special education expenses (in State expense line item 1200) was paid with general state aid.

The District has evaluated subsequent events through September 30, 2016, the date on which the financial statements were available to be issued.

### NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also requires additional disclosures about the fair value measurement of the investments held by the District (see Note 3).

## SUPPLEMENTAL FINANCIAL INFORMATION

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
JUNE 30, 2016

	6/30/2016 *	6/30/2015 *
TOTAL PENSION LIABILITY		
Service Cost	\$ 891,301	\$ 882,969
Interest	1,872,673	1,677,370
Differences Between Expected and Actual Experience	602,248	(205,188)
Changes in Assumptions	34,890	1,083,801
Benefit Payments, Including Refunds of Member Contributions	(863,011)	(748,472)
Net Change in Total Pension Liability	<u>\$ 2,538,101</u>	<u>\$ 2,690,480</u>
Total Pension Liability - Beginning	<u>24,988,162</u>	<u>22,297,682</u>
Total Pension Liability - Ending	<u>\$ 27,526,263</u>	<u>\$ 24,988,162</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 888,563	\$ 823,600
Contributions - Member	390,675	355,330
Net Investment Income	112,668	1,274,675
Benefit Payments, Including Refunds of Member Contributions	(863,011)	(748,472)
Other	(477,108)	(60,772)
Net Change in Plan Fiduciary Net Position	<u>\$ 51,787</u>	<u>\$ 1,644,361</u>
Plan Net Position - Beginning	<u>22,325,443</u>	<u>20,681,082</u>
Plan Net Position - Ending	<u>\$ 22,377,230</u>	<u>\$ 22,325,443</u>
District's Net Pension Liability	<u>\$ 5,149,033</u>	<u>\$ 2,662,719</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.29%	89.34%
Covered-Employee Payroll	\$ 8,198,604	\$ 7,576,818
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	62.80%	35.14%

\* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
JUNE 30, 2016

	6/30/2016 *	6/30/2015 *
Actuarial Determined Contribution	\$ 877,251	\$ 823,600
Contributions in Relation to Actuarially Determined Contribution	888,563	823,600
Contribution Deficiency/(Excess)	\$ (11,312)	\$ -
Covered-Employee Payroll	\$ 8,198,604	\$ 7,576,818
Contributions as a Percentage of Covered-Employee Payroll	10.84%	10.87%

**Notes to Schedule:**

***Actuarial Method and Assumptions Used on the Calculation of the 2015 Contribution Rate \****

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Actuarial Cost Method:** Aggregate entry age = normal

**Amortization Method:** Level percentage of payroll, closed

**Remaining Amortization Period:** 28-year closed period until remaining period reaches 15 years (then 15-year rolling period)

**Asset Valuation Method:** 5-year smoothed market; 20% corridor

**Wage Growth:** 4%

**Price Inflation:** 3%, approximate; No explicit price inflation assumption is used in this valuation.

**Salary Increases:** 4.40% to 16%, including inflation

**Investment Rate of Return:** 7.50%

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.

**Mortality:** RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

\*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
JUNE 30, 2016

	6/30/2016 *	6/30/2015 *
Employer's proportion of the Net Pension Liability	0.0081619%	0.0083358%
Employer's proportionate share of the Net Pension Liability	\$ 5,346,877	\$ 5,073,033
State's proportionate share of the Net Pension Liability associated with the employer	174,745,548	160,814,323
Total	<u>\$ 180,092,425</u>	<u>\$ 165,887,356</u>
Employer's Covered-Employee Payroll	\$ 27,002,740	\$ 26,086,819
Employer's proportionate share of the Net Pension Liability as a percentage of Covered-Employee Payroll	19.80%	19.45%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	41.50%	43.00%

\* - The amounts presented were determined as of the prior fiscal-year end

**Changes of Assumptions:** Amounts reported in 2015 reflect an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5%, an inflation rate of 3.0% and real return of 4.5%, and salary increases of 5.75%.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
SCHEDULE OF EMPLOYER CONTRIBUTION  
JUNE 30, 2016

	<u>6/30/2016 *</u>	<u>6/30/2015 *</u>
Contractually-required contribution	\$ 285,993	\$ 297,536
Contributions in relation to the contractually - required contribution	<u>286,081</u>	<u>297,536</u>
Contribution deficiency/(excess)	<u>\$ (88)</u>	<u>\$ -</u>
Employer's Covered-Employee Payroll	\$ 27,002,740	\$ 26,086,819
Contributions as a percentage of Covered-Employee Payroll	1.06%	1.10%

\* - This information presented is based on the actuarial valuation performed as of the prior June 30 year end.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
RETIREE PAID INSURANCE  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Unit Credit (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 592,688	\$ 592,688	0%	N/A	N/A
6/30/2013	-	804,489	804,489	0%	N/A	N/A
6/30/2012	-	1,531,986	1,531,986	0%	N/A	N/A

See Accompanying Independent Auditors' Report



McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
<b>A S S E T S</b>				
Cash and Cash Equivalents	<u>\$ 60,757</u>	<u>\$ 150,722</u>	<u>\$ 137,889</u>	<u>\$ 73,590</u>
<b>L I A B I L I T I E S</b>				
Amount Due to Activity				
DK - General	\$ 2,107	\$ 4,685	\$ 2,592	\$ 4,200
Edgebrook General	1,685	4,727	4,161	2,251
Hilltop General	2,109	13,188	11,181	4,116
Junior High Athletics	1,120	5,652	5,470	1,302
Junior High General	4,095	39,040	32,995	10,140
Junior High Student Council	528	596	325	799
Landmark General	4,261	2,756	3,064	3,953
Miscellaneous	2,445	1,043	3,398	90
Parkland Athletics	1,610	5,670	5,650	1,630
Parkland General	16,169	54,571	39,902	30,838
Parkland Student Council	2,492	2,400	1,912	2,980
Riverwood General	2,338	4,581	4,782	2,137
Valley View General	19,798	11,813	22,457	9,154
	<u>\$ 60,757</u>	<u>\$ 150,722</u>	<u>\$ 137,889</u>	<u>\$ 73,590</u>

See Accompanying Independent Auditors' Report

McHENRY COMMUNITY CONSOLIDATED  
SCHOOL DISTRICT NO. 15  
COMPUTATION OF OPERATING EXPENSE PER PUPIL  
AND PER CAPITA TUITION CHARGE  
YEAR ENDED JUNE 30, 2016

<b>OPERATING EXPENSE PER PUPIL</b>			
<b>EXPENDITURES:</b>			
ED	Total Expenditures	\$	46,284,377
O&M	Total Expenditures		7,805,593
DS	Total Expenditures		2,937,063
TR	Total Expenditures		4,368,032
MR/SS	Total Expenditures		1,973,877
TORT	Total Expenditures		771,598
	<b>Total Expenditures</b>	<b>\$</b>	<b>64,140,540</b>

**LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO THE REGULAR K-12 PROGRAM:**

ED	Special Education Programs K-12 - Private Tuition	\$	553,469
ED	Community Services		52,983
ED	Total Payments to Other District & Govt Units		1,002,472
ED	Capital Outlay		267,015
ED	Non-Capitalized Equipment		393,578
O&M	Total Payments to Other Dist & Govt Units		136,736
O&M	Capital Outlay		4,618,525
O&M	Non-Capitalized Equipment		24,233
DS	Debt Service - Payments of Principal on Long-Term Debt		1,677,308
TR	Capital Outlay		9,636
TR	Non-Capitalized Equipment		79,201
MR/SS	Community Services		459
	<b>Total Deductions</b>	<b>\$</b>	<b>8,815,615</b>
	<b>Total Operating Expenses (Regular K-12)</b>		<b>55,324,925</b>
	<b>9 Mo ADA (See the General State Aid Claim for 2014-2015 (ISBE 54-33, L12)</b>		<b>3,971.06</b>
	<b>Estimated OEPP</b>	<b>\$</b>	<b>13,932.03</b>

**PER CAPITA TUITION CHARGE**

**LESS OFFSETTING RECEIPTS/REVENUES:**

TR	Regular -Transp Fees from Pupils or Parents (In State)	\$	18,035
ED	Total Food Service		570,687
ED-O&M	Total District/School Activity Income		64,175
ED	Rentals - Regular Textbooks		214,785
ED-O&M	Rentals		28,805
ED-O&M-DS-TR-MR/SS	Payment from Other Districts		1,135,801
ED-O&M-TR	Total Special Education		2,164,653
ED-MR/SS	Total Bilingual Ed		122,089
ED	State Free Lunch & Breakfast		5,429
ED-O&M-TR-MR/SS	Total Transportation		2,400,543
ED-O&M-DS-TR-MR/SS-Tort	Other Restricted Revenue from State Sources		2,913
ED-MR/SS	Total Food Service		783,253
ED-O&M-TR-MR/SS	Total Title I		538,245
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Flow Through/Low Incidence		1,070,967
ED-O&M-TR-MR/SS	Fed - Spec Education - IDEA - Room & Board		50,786
ED-O&M-DS-TR-MR/SS-Tort	Total ARRA Program Adjustments		57,155
ED-TR-MR/SS	Title III - English Language Acquisition		58,055
ED-O&M-TR-MR/SS	Title II - Teacher Quality		72,639
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Administrative Outreach		151,409
ED-O&M-TR-MR/SS	Medicaid Matching Funds - Fee-for-Service Program		438,690
ED-O&M-TR-MR/SS	Other Restricted Revenue from Federal Sources (Describe & Itemize)		186
	<b>Total Allowance for PCTC Computation</b>	<b>\$</b>	<b>9,949,300</b>
	<b>Net Operating Expense for PCTC Computation</b>		<b>45,375,625</b>
	<b>Total Depreciation Allowance (from page 27, Col I)</b>		<b>2,312,751</b>
	<b>Total Allowance for PCTC Computation</b>		<b>47,688,376</b>
	<b>9 Mo ADA</b>		<b>3,971.06</b>
	<b>Total Estimated PCTC</b>	<b>\$</b>	<b>12,008.98</b>

ANNUAL FEDERAL FINANCIAL COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

To the Board of Education  
McHenry Community Consolidated School District No. 15  
McHenry, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited

McHenry Community Consolidated School District No. 15's

compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of McHenry Community Consolidated School District No. 15's major federal programs for the year ended June 30, 2016. McHenry Community Consolidated School District No. 15's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of McHenry Community Consolidated School District No. 15's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McHenry Community Consolidated School District No. 15's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on McHenry Community Consolidated School District No. 15's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, McHenry Community Consolidated School District No. 15 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

McHenry Community Consolidated School District No. 15's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. McHenry Community Consolidated School District No. 15's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of McHenry Community Consolidated School District No. 15 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered McHenry Community Consolidated School District No. 15's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McHenry Community Consolidated School District No. 15's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.


*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the

deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002, to be a significant deficiency.

McHenry Community Consolidated School District No. 15's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. McHenry Community Consolidated School District No. 15's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
September 30, 2016

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**

**44-063-0150-04**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Agriculture Passed Through Illinois									
State Board of Education:									
Food Donations Program (M)	10.555	16-4299-00		53,838		53,838		53,838	N/A
National School Lunch Program * (M)	10.555	15-4210-00	626,212	131,457	626,212	131,457		757,669	N/A
National School Lunch Program * (M)	10.555	16-4210-00		535,595		535,595		535,595	N/A
School Breakfast Program * (M)	10.553	15-4220-00	112,709	16,419	112,709	16,419		129,128	N/A
School Breakfast Program * (M)	10.553	16-4220-00		99,783		99,783		99,783	N/A
U.S. Department of Agriculture/Department of Defense									
Passed Through Illinois Department of Education:									
Food Donations Program (M)	10.555	15-4299-00		39,991		39,991		39,991	N/A
Subtotal CFDA "10"			738,921	877,083	738,921	877,083	0	1,616,004	
*Project End Date 9/30									
**Project End Date 8/31									
***Project End Date 12/31									

- (M) Program was audited as a major program as defined by OMB Circular A-133.

**The accompanying notes are an integral part of this schedule.**

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

<sup>4</sup> Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

**MC HENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**

**44-063-0150-04**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Education Passed Through									
Illinois State Board of Education:									
Title I - Low Income	84.010	15-4300-00	330,136	159,530	489,666			489,666	577,320
Title I - Low Income	84.010	16-4300-00		378,715		581,497		581,497	631,975
Special Education - IDEA Room & Board **	84.027	15-4625-00		50,786		50,786		50,786	N/A
Title III - LIP/LEP **	84.365	15-4909-00	49,126	17,282	66,408			66,408	76,602
Title III - LIP/LEP **	84.365	16-4909-00		40,773		70,331		70,331	76,694
Title II - Teacher Quality	84.367	15-4932-00	32,281	22,289	54,570			54,570	120,533
Title II - Teacher Quality	84.367	16-4932-00		50,350		108,964		108,964	186,193
U.S. Department of Education Passed Through Special									
Education District of McHenry County:									
Special Education - Preschool Grant (M)	84.173	15-4600-00	33,887	28,587	62,474			62,474	62,474
Special Education - Preschool Grant (M)	84.173	16-4600-00		34,402		50,739		50,739	54,552

• (M) Program was audited as a major program as defined by OMB Circular A-133.

**The accompanying notes are an integral part of this schedule.**

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

<sup>4</sup> Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.



**MC HENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**

**44-063-0150-04**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Education Passed Through Special									
Education District of McHenry County (continued):									
Special Education - Grant to States (M)	84.027	15-4620-00	769,261	288,351	1,057,612			1,057,612	1,057,612
Special Education - Grant to States (M)	84.027	16-4620-00		782,616		1,052,239		1,052,239	1,052,239
Subtotal CFDA "84"			1,214,691	1,853,681	1,730,730	1,914,556		3,645,286	3,896,194
U.S. Department of Transportation									
Passed Through Illinois Environmental Protection Agency:									
National Clean Diesel Emissions Reduction Program ***	20.205	16-4879-00		57,155		57,155		57,155	57,155
Subtotal CFDA "20"			0	57,155	0	57,155		57,155	57,155
U.S. Department of Health & Human Services Passed									
Through McHenry County Department of Health									
Community Transformation Grants	93.531	15-4999-00	380	186	566			566	N/A

- (M) Program was audited as a major program as defined by OMB Circular A-133.

**The accompanying notes are an integral part of this schedule.**

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

<sup>4</sup> Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**

**44-063-0150-04**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ending June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title and Major Program Designation	CFDA Number <sup>2</sup> (A)	ISBE Project # (1st 8 digits) or Contract #3 (B)	Receipts/Revenues		Expenditure/Disbursements <sup>4</sup>		Obligations/ Encumb. (G)	Final Status (H)	Budget (I)
			Year 7/1/14-6/30/15 (C)	Year 7/1/15-6/30/16 (D)	Year 7/1/14-6/30/15 (E)	Year 7/1/15-6/30/16 (F)			
U.S. Department of Health & Human Services Passed									
Through Illinois Department of Healthcare and Family Services:									
Medicaid Matching	93.531	15-4991-00	98,952	44,825	143,777			143,777	N/A
Medicaid Matching	93.531	16-4991-00		106,584		106,584		106,584	N/A
Subtotal CFDA "93"			99,332	151,595	144,343	106,584		250,927	
Total Federal Assistance			2,052,944	2,939,514	2,613,994	2,955,378		5,569,372	
*Project End Date 9/30									
**Project End Date 8/31									
***Project End Date 12/31									

- (M) Program was audited as a major program as defined by OMB Circular A-133.

**The accompanying notes are an integral part of this schedule.**

<sup>1</sup> To meet state or other requirements, auditees may decide to include certain nonfederal awards (for example, state awards) in this schedule. If such nonfederal data are presented they should be segregated and clearly designated as nonfederal. The title of the schedule should also be modified to indicate that nonfederal awards are included.

<sup>2</sup> When the CFDA number is not available, the auditee should indicate that the CFDA number is not available and include in the schedule the program's name and, if applicable, other identifying number.

<sup>3</sup> When awards are received as a subrecipient, the identifying number assigned by the pass-through entity should be included in the schedule.

<sup>4</sup> Circular A-133 requires that the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end be included in either the schedule or a note to the schedule. Although it is not required, Circular A-133 states that it is preferable to present this information in the schedule (versus the notes to the schedule). If the auditee presents non-cash assistance in the notes to the schedule, the auditor should be aware that such amounts must still be included in part III of the data collection form.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of McHenry Community Consolidated School District No. 15 under programs of the federal government of the year ended June 30, 2016. The information in this Schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has elected not to use the 10% de minimis indirect rate as allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The District did not provide federal awards to subrecipients during the year ended June 30, 2016.

NOTE 4 - FEDERAL LOANS

There were no federal loans or loan guarantees outstanding at year end.

McHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

- 1) Summary of auditor's results:
  - a) An adverse opinion report was issued due to the use of the regulatory basis of accounting.
  - b) One significant deficiency in internal control was disclosed by the audit of the financial statements. No material weaknesses are reported.
  - c) No noncompliance which is material to the financial statements was disclosed by the audit of the financial statements.
  - d) One significant deficiency in internal control over major programs was disclosed by the audit. No material weaknesses are reported.
  - e) An unmodified opinion report on compliance for major programs was issued.
  - f) The audit findings that are required to be reported in accordance with 2 CFR Section 200.5169(a) are reported on this schedule.
  - g) The major programs identified were Child Nutrition Cluster (CFDA # 10.553 and 10.555) and Special Education Cluster (CFDA # 84.027 and 84.173).
  - h) The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
  - i) McHenry Community Consolidated School District No. 15 does not qualify as a low-risk auditee.
- 2) There is one finding relating to the financial statements which are required to be reported and is detailed in finding number 2016-001.
- 3) A finding relating to federal awards which is required to be reported is detailed in finding number 2016-002.

**MC HENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

1. FINDING NUMBER:<sup>11</sup>      **2016- 001**      2. THIS FINDING IS:      ☒ New      ☐ Repeat from Prior Year?  
Year originally reported? \_\_\_\_\_

**3. Criteria or specific requirement**

A critical element of internal control is that incompatible procedures in a control process be properly segregated.

**4. Condition**

There is a lack of review process over bank reconciliations and payroll tax returns.

**5. Context<sup>12</sup>**

Bank reconciliations and payroll tax returns are not reviewed by a person other than the one preparing the reports.

**6. Effect**

Potential misstatements resulting from a failure of internal controls.

**7. Cause**

The District does not have sufficient segregation of duties.

**8. Recommendation**

The District needs to review all bank reconciliations and payroll tax returns.

**9. Management's response<sup>13</sup>**

The District will initiate a proper review process going forward.

**For ISBE Review**

Date: _____	Resolution Criteria Code Number _____
Initials: _____	Disposition of Questioned Costs Code Letter _____

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2016 would be assigned a reference number of 2016-001, 2016-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

<sup>12</sup> Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

<sup>13</sup> See Title 2 CFR §200.521 *Management decision* for additional guidance on reporting management's response.

**MC HENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

1. FINDING NUMBER:<sup>11</sup>      **2016- 002**      2. THIS FINDING IS:      ☒ New      ☐ Repeat from Prior Year?  
Year originally reported? \_\_\_\_\_

**3. Criteria or specific requirement**

The District's Treasurer's Bond must exceed 25% of their cash balance in order to protect themselves from any improper actions of the person appointed as Treasurer.

**4. Condition**

The District did not have adequate Treasurer's Bond coverage as of 6/30/2016.

**5. Context<sup>12</sup>**

The District needs to be bonded by a certain amount in order to protect the District from any improper actions of the Treasurer.

**6. Effect**

The District is not fully protected from any possible improper actions of the Treasurer.

**7. Cause**

The District's Treasurer Bond does not exceed 25% of their cash and investment balance.

**8. Recommendation**

The District should increase the current Treasurer's Bond so it will cover 25% of their cash balance.

**9. Management's response<sup>13</sup>**

The District will increase the current Treasurer's Bond so it will cover 25% of their cash balance.

**For ISBE Review**

Date:	_____	Resolution Criteria Code Number	_____
Initials:	_____	Disposition of Questioned Costs Code Letter	_____

<sup>11</sup> A suggested format for assigning reference numbers is to use the digits of the fiscal year being audited followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 2016 would be assigned a reference number of 2016-001, 2016-002, etc. The sheet is formatted so that only the number need be entered (1, 2, etc.).

<sup>12</sup> Provide sufficient information for judging the prevalence and consequences of the finding, such as relation to universe of costs and/or number of items examined and quantification of audit findings in dollars.

<sup>13</sup> See Title 2 CFR §200.521 *Management decision* for additional guidance on reporting management's response.

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ending June 30, 2016**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

1. FINDING NUMBER:<sup>14</sup> **2016- 003** 2. THIS FINDING IS: ☐ New ☒ Repeat from Prior year?  
Year originally reported? **2015**

3. Federal Program Name and Year: **National School Lunch Program 2016**

4. Project No.: **16-4210-00** 5. CFDA No.: **10.555**

6. Passed Through: **Illinois State Board of Education**

7. Federal Agency: **Department of Agriculture**

**8. Criteria or specific requirement (including statutory, regulatory, or other citation)**

The District is required to determine an applicant's eligibility for free and reduced lunch based on the income information provided on the application and the income guidelines provided by the Department of Agriculture

**9. Condition<sup>15</sup>**

Two of the applications for the National School Lunch Program were filled out incorrectly and the District did not review them prior to processing. There also was not any other back up documentation attached. Therefore, the District could not determine if the families were receiving the correct benefits.

**10. Questioned Costs<sup>16</sup>**

None

**11. Context<sup>17</sup>**

Two applications were not reviewed and therefore it cannot be determined if these families were receiving the correct benefits.

**12. Effect**

Cannot determine if these families were receiving the correct benefits.

**13. Cause**

The District did not review these applications prior to processing them.

**14. Recommendation**

The District should implement review procedures to make sure forms are correctly completed and the students should receive the correct reduced or free lunch.

**15. Management's response<sup>18</sup>**

The District will be more careful when approving applications in the future.

**For ISBE Review**

Date: \_\_\_\_\_ Resolution Criteria Code Number \_\_\_\_\_  
Initials: \_\_\_\_\_ Disposition of Questioned Costs Code Letter \_\_\_\_\_

<sup>14</sup> See footnote 11.

<sup>15</sup> Include facts that support the deficiency identified on the audit finding.

<sup>16</sup> Identify questioned costs as required by Title 2 CFR §200.516 (a)(3 - 4).

<sup>17</sup> See footnote 12.

<sup>18</sup> To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS<sup>19</sup>**  
**Year Ending June 30, 2016**

[If there are no prior year audit findings, please submit schedule and indicate **NONE**]

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u> <sup>20</sup>
2015-001	One of the applications selected for the National School Lunch Program was incorrectly processed resulting in this child receiving the incorrect benefit.	This is still a finding in the current year. See finding 2016-003

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When possible, all prior findings should be on the same page

<sup>19</sup> Explanation of this schedule - Title 2 CFR §200.511 (b)

<sup>20</sup> Current Status should include one of the following:

- A statement that corrective action was taken
- A description of any partial or planned corrective action
- An explanation if the corrective action taken was significantly different from that previously reported or in the management decision received from the pass-through entity.



**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS<sup>21</sup>**  
**Year Ending June 30, 2016**

**Corrective Action Plan**

Finding No.:      **2016-   001**

Condition:

There is a lack of review process over bank reconciliations and payroll tax returns.

Plan:

The District will initiate a proper review process going forward.

Anticipated Date of Completion:      9/30/2016

Name of Contact Person:      Mark Bertolozzi, Chief Financial Officer

Management Response:      N/A

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<sup>21</sup> Explanation of this schedule - Title 2 CFR §200.511 ( c)

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS<sup>21</sup>**  
**Year Ending June 30, 2016**

**Corrective Action Plan**

Finding No.:      **2016-   002**

Condition:

The District did not have adequate Treasurer's Bond coverage as of 6/30/2016.

Plan:

The District will increase the current Treasurer's Bond so it will cover 25% of their cash balance.

Anticipated Date of Completion:      9/30/2016

Name of Contact Person:      Mark Bertolozzi, Chief Financial Officer

Management Response:      N/A

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<sup>21</sup> Explanation of this schedule - Title 2 CFR §200.511 ( c )

**MCHENRY COMMUNITY CONSOLIDATED SCHOOL DISTRICT NO. 15**  
**44-063-0150-04**  
**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS<sup>21</sup>**  
**Year Ending June 30, 2016**

**Corrective Action Plan**

Finding No.:     **2016-   003**

Condition:

Two of the applications for the National School Lunch Program were filled out incorrectly and the District did not review them prior to processing. There also was not any other back up documentation attached. Therefore, the District could not determine if the families were receiving the correct benefits.

Plan:

District will be more careful when approving applications in the future.

Anticipated Date of Completion:     9/30/2016

Name of Contact Person:             Mark Bertolozzi, Chief Financial Officer

Management Response:             N/A

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<sup>21</sup> Explanation of this schedule - Title 2 CFR §200.511 ( c )